Division of Fairs & Expositions
DEPRECIATION
Conversion Guide

This guide is designed to assist fair organizations with the steps required to convert their fixed asset accounting methods to depreciation in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34. This guide is meant to be used as a supplement to the Fixed Asset Policy and Procedure Manual Version 2 issued by the Department of Food and Agriculture's Audit Office. Please read the Fixed Asset Policy and Procedure Manual thoroughly before proceeding with the following steps. For your convenience, version 2 of the manual is available for download on our website at http://www.cdfa.ca.gov/fe/Depreciation.htm.

Introduction

Before you closed your 2003 books, you should have completed the annual process of reconciling your property ledger to the appropriate general ledger accounts (i.e. 19200, Buildings and Improvements, and 19300, Equipment). **It is very important that you begin the depreciation process with complete and up-to-date property accounts. If you have not updated and reconciled your property accounts to the property ledger, do so now before you begin the depreciation steps below.** For instructions on updating and reconciling your property ledger, see pages 5 through 9 in the CDFA Fixed Asset Policy and Procedure Manual. Sample journal entries can also be found on page 56 of the Accounting Procedures Manual.

Step-by-Step Instructions

Step 1: Preparing the Asset Depreciation Worksheet

Using your reconciled property ledger, transfer your fixed assets listing to the Asset Depreciation Worksheet. (For your convenience, a worksheet template is included on the enclosed disk. Keep in mind that formulas may need to be "tweaked" to accommodate your specific needs.)

On this worksheet, you will list each asset that meets the capitalization criteria of unit price of $5,000 or more and one-year or more of estimated useful life. (See attached Exhibit 4, Circular Letter D96-6, dated 2/15/96, for more information.) Complete the form as shown in the enclosed example (Exhibit 1) by using the following steps. Blue lines and numbers on the sample worksheet correspond to the step numbers listed below.

1. Description (Column A) – Enter the name and/or description of the asset.
2. Purchase Year (Column B) – Enter the year the asset was acquired by the fair (if item was donated, you would enter the year asset was received).
3. Purchase Cost (Column D) – If the asset was purchased by the fair, you will enter the purchase price. If the asset was acquired through a California Construction Authority (CCA) project, you will enter the total project cost. If the asset was donated to the fair, you will enter the fair market value at the time the item was received. If you do not have either the purchase price or fair market value, refer to the Fixed Asset Policy and Procedure Manual for instructions on how to estimate the cost.
4. Estimated Useful Life (In Years) (Column E) – In this column you will enter "30" for buildings and improvements and "5" for equipment.
5. Depreciation Rate-Cost (Column F) – In this column you will enter the same amount that was entered for purchase cost (this amount should automatically carry from Column D).
6. Depreciation Rate-Estimated Useful Life in Years (Column G) – Enter "30" for buildings and improvements and "5" for equipment. This number should be the same as that shown in Column E.
7. Depreciation Rate-Rate Per Year (Column H) – The formula in this column will calculate the depreciation rate per year by dividing the cost by the number of years of estimated useful life. This number will automatically carry forward to Column I, "Accumulated Depreciation-Rate per Year."
8. Depreciation Rate-Years in Service (Column J) – This number is calculated by taking the current year, subtract the year of acquisition, and add 1 year. For example, the Armory Building was built in 1950 and it is now 2004. The calculation to determine the number of years the Armory Building has been in service is: 2004 – 1950 + 1 = 55 years.
9. Depreciation Rate-Total Depreciation (Column K) – The formula for this column takes the Rate per Year and multiplies it by the Years in Service. The amount in this column represents the part of the asset that has been "used up." If the Years in Service are equal to 30 or more for buildings or 5 or more for equipment, the purchase price will be inserted into the cell and the item will be considered fully depreciated.
10. Book Value (Column L) – The formula in this cell will deduct the accumulated depreciation shown in Column K from the cost shown in Column F. The amount in this column represents the part of the asset that is <u>not</u> "used up."

Once all of the above steps are completed, the template will give the totals of purchase costs as well as the amounts of accumulated depreciation (used-up portion) and assets yet to be depreciated, also known as net book value (not used-up portion). These are shown on the sample sheet highlighted in yellow, green, and pink respectively. The accumulated depreciation and net book value of the assets will carry to the summary (highlighted in blue).

Step 2: Establish New General Ledger Accounts

Before you can prepare your journal entries to reassign your assets, you will need to establish new general ledger accounts:

- Account 19210, Accumulated Depreciation—Buildings & Improvements
- Account 19310, Accumulated Depreciation—Equipment

In Version 1 of the Fixed Asset Policy and Procedure Manual, you are instructed to create a new account entitled "Net Resources—Capital Assets," account 291.1. After further research, F&E and CDFA Audit Office have determined that, to comply with Generally Accepted Accounting Principles (GAAP), a separate resource account is not necessary. **Therefore, do not establish a separate resource account.** Instead, all entries to a resource account will be made to Account 29100, Net Resources. Refer to version 2 of the Fixed Asset Policy and Procedures Manual for further direction. For an understanding of how this combined resource account will be broken out for presentation purposes, refer to the "Financial Reporting" section of this guide.

Once your new general ledger accounts are established, you are ready to prepare your journal entries.

Step 3: Prepare Your Journal Entries

Journal Entry Number 1: You will use the completed Asset Depreciation Worksheet and the general ledger balance of Account 19100, Land, to prepare the journal entry that will move the historical cost of land from the 26000 account, Investment in Capital Assets, to reserve account 29100, Net Resources. Using the dollar amount shown in your general ledger account 19100, Land, complete and post the following entry:

	Dr.	Cr.
Acct 26000-Investment in Capital Assets	$XXXXX	
Acct 29100-Net Resources		$XXXXX
(To reclassify land costs to resource account)		

Journal Entry Number 2: Using the total of the Accumulated Depreciation column from the Asset Depreciation Worksheets (see the green highlighted areas on the sample worksheets), complete and post the following entry:

	Dr.	Cr.
Account 26000-Investment in Capital Assets	$XXXXX	
Acct 19210, A/D-Bldgs & Improvements		$XXXXX
Acct 19310, A/D-Equipment		$XXXXX
(To adjust Investment in Capital Assets to move accumulated depreciation to proper accounts)		

Journal Entry Number 3: The balance in account 26000, Investment in Capital Assets, should now equal the Net Book Value as shown on the Asset Depreciation Worksheets (see the pink highlighted areas on the sample worksheets). If the amounts differ, research and correct the discrepancy before proceeding. If the balance in account 26000 matches the Net Book Value shown on the worksheets, prepare and post the following entry:

	Dr.	Cr.
Acct 26000-Investment in Capital Assets	$XXXXX	
Acct 29100-Net Resources		$XXXXX
(To close balance of Investment in Capital Assets account to resource account)		

Your Account 26000, Investment in Capital Assets, should now show a zero balance. If the amount is not zero, research and correct the discrepancy.

IMPORTANT: If you have already completed the above steps following the instructions given in the Fixed Asset Depreciation Policy and Procedure Manual Version 1, you will need to prepare and post the following journal entry to eliminate Account 291.1 from your general ledger:

	Dr.	Cr.
Acct 29110-Net Resources--Capital Assets	$XXXXX	
Acct 29100-Net Resources		$XXXXX
(To eliminate unnecessary resource account from GL)		

Post this journal entry ONLY if you have previously converted your assets using the instructions in version 1 of the Fixed Asset Depreciation Policy and Procedure Manual. If you have any doubts as to whether this journal entry is appropriate for your fair, please call F&E for guidance.

Step 4: Prepare the Depreciation Schedule

The next step is preparation of the depreciation schedule. There are two ways of accomplishing this:

Option #1: One way to prepare your depreciation schedule is to "copy and paste" from the Depreciation Worksheet to the Depreciation Schedule template included on the enclosed disk. To do this, you will only highlight and copy those items that are **not** showing a zero balance in the net book value column. Simply highlight each row, copy and paste into the depreciation schedule. Remember to complete this process for both the Buildings and Improvements tab and the Equipment tab. Once you have copied all the assets that have a remaining net book value, close the Depreciation Worksheet file. In the Depreciation Schedule file, add a sum total to the bottom of the Depreciation Rate-Rate Per Year column. The journal entry section (highlighted in green on the attached Exhibit 2, Sample Depreciation Schedule) will be automatically calculated and completed for you.

Option #2: Another way to prepare your depreciation schedule is to open your Depreciation Worksheet and then save it as another file entitled "Depreciation Schedule." In the new Depreciation Schedule file, you will highlight and delete all rows that contain a net book value of zero. Remember to complete this process for both the Buildings and Improvements tab and the Equipment tab. Once you have removed all items that are fully depreciated, you will be left with only those items that still contain values not "used up." Add a sum total to the bottom of the Depreciation Rate-Rate Per Year column. This total is the amount you will use to prepare your depreciation entries. If you use this method, remember to change the name at the top of each worksheet to reflect the new title of Asset Depreciation Schedule. You will also need to manually complete the journal entries as follows:

90000 Depreciation Expense	$XXXXX	
19210 Accum Depr – Bldgs & Imps		$XXXXX

AND

90000 Depreciation Expense	$XXXXX	
19310 Accum Depr – Equipment		$XXXXX

Step 5: Maintain the Depreciation Schedule

You will need to maintain the depreciation schedule throughout the year by adding any newly acquired assets that meet the capitalization criteria and removing any assets that have been disposed of. As you add the newly acquired assets and delete the assets disposed of, the formulas in your worksheet should automatically adjust the totals to give you the new depreciation amounts needed for your year-end journal entries. Refer to pages 15 through 22 of the Fixed Asset Policy and Procedure Manual Version 2 for instructions on record keeping when acquiring and disposing of assets.

Step 6: Prepare and Post the Year-End Depreciation Journal Entries

At the end of each year, the Fair will prepare and post the journal entries to reflect the depreciation expense for the year. These entries may also be done on a monthly basis if you prefer but will require much more time and effort on your part. Steps 4 and 5 above explain how you will determine the amount used for each journal entry. You may also refer to page 20 of the Fixed Asset Policy and Procedure Manual Version 2.

FINANCIAL REPORTING

GASB 34 states that, for financial reporting purposes, net resources are to be divided into three segments: Investment in Capital Assets, Restricted, and Unrestricted (what we call "available for operations"). This breakdown must be completed manually each time you prepare your interim (i.e., monthly) and year-end financial reports. Each segment consists of the following:

- Investment in Capital Assets is the net book value (less related debts) of all assets. The calculation used to determine this number is as follows:

  Construction in Progress plus **Land** plus **Buildings and Improvements** plus **Equipment** less **Accumulated Depreciation-Buildings and Improvements** less **Accumulated Depreciation-Equipment** less any loan balance you owe on any of the assets shown in Land, Buildings & Improvements, and Equipment = Investment in Capital Assets

- Restricted Resources – GASB 34 states "Net assets should be reported as restricted when constraints placed on net asset use are either: a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; b) Imposed by law through constitutional provisions or enabling legislation." If you have resources that meet these guidelines, they should be shown on all financial reports as restricted.

- Unrestricted Resources are equal to Net Resources Available for Operations. In other words, once your investment in capital assets and restricted resources are manually segregated from account 291, the remaining balance is your unrestricted resources.

Please refer to the attached sample Balance Sheet, Exhibit 3, for a visual representation of this breakout (highlighted in green).

Questions?

Please direct any questions regarding these supplemental guidelines to:

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Questions regarding the Fixed Asset Policy and Procedure Manual may be directed to:

CDFA Audit Office
(916) 327-6614
(916) 327-6714 fax

SAMPLE

EXHIBIT 1

PLEASANT VALLEY FAIR

ASSET DEPRECIATION WORKSHEET

BUILDINGS AND IMPROVEMENTS

AS OF : 12/31/2003

①	②	③	④	⑤	⑥	⑦		⑧	⑨	⑩
	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	Year	Cost	Est. Useful Life (in Years)	Cost	Est. Useful Life (in Years)	Rate Per Year	Rate Per Year	Years in Service	Total Depreciation	Cost - Accumulated Depreciation
Armory Building	1950	80,296.50	30	80,296.50	30	2,676.55	2,676.55	55	80,296.50	-
Automated Parking Gate	1994	22,156.76	30	22,156.76	30	738.56	738.56	11	8,124.15	14,032.61
Ball Park/Carnival Area	1965	52,819.63	30	52,819.63	30	1,760.65	1,760.65	40	52,819.63	-
Main Lawn Gazebo	1994	20,000.00	30	20,000.00	30	666.67	666.67	11	7,333.33	12,666.67
Clubhouse	1985	13,284.08	30	13,284.08	30	442.80	442.80	20	8,856.05	4,428.03
Stadium Concession Stand	1990	150,381.11	30	150,381.11	30	5,012.70	5,012.70	15	75,190.56	75,190.56
Red Barn	1965	8,400.00	30	8,400.00	30	280.00	280.00	40	8,400.00	-
Day Care Building	1952	20,979.66	30	20,979.66	30	699.32	699.32	53	20,979.66	-
Day Care Building Upgade	1988	5,179.00	30	5,179.00	30	172.63	172.63	17	2,934.77	2,244.23
Day Care Building Roofing	2002	15,000.14	30	15,000.14	30	500.00	500.00	3	1,500.01	13,500.13
Concert Park	1991	40,803.00	30	40,803.00	30	1,360.10	1,360.10	14	19,041.40	21,761.60
Forestry Gazebo	1983	29,400.00	30	29,400.00	30	980.00	980.00	22	21,560.00	7,840.00
Dance Court & Stage	1993	86,565.00	30	86,565.00	30	2,885.50	2,885.50	12	34,626.00	51,939.00
Dance Court Restrooms	1994	50,001.09	30	50,001.09	30	1,666.70	1,666.70	11	18,333.73	31,667.36
Arena & Grandstands	1939	100,270.71	30	100,270.71	30	3,342.36	3,342.36	66	100,270.71	-
Grandstand Bleachers & Pad	1981	85,586.06	30	85,586.06	30	2,852.87	2,852.87	24	68,468.85	17,117.21
Grandstand Handicap Ramp	1997	13,500.00	30	13,500.00	30	450.00	450.00	8	3,600.00	9,900.00
Grandstand Emergency Lighting	1989	5,558.00	30	5,558.00	30	185.27	185.27	16	2,964.27	2,593.73
Grandstand Lighting	1990	6,738.00	30	6,738.00	30	224.60	224.60	15	3,369.00	3,369.00
Land Improvement-Horse Arena	1998	27,845.19	30	27,845.19	30	928.17	928.17	7	6,497.21	21,347.98
Maintenance Shop	1997	69,735.14	30	69,735.14	30	2,324.50	2,324.50	8	18,596.04	51,139.10
Museum	1939	25,000.00	30	25,000.00	30	833.33	833.33	66	25,000.00	-
Museum Electric Upgrade	1988	6,909.00	30	6,909.00	30	230.30	230.30	17	3,915.10	2,993.90
Museum Building Roofing	2002	6,499.70	30	6,499.70	30	216.66	216.66	3	649.97	5,849.73
Diamond Hall	1960	93,445.90	30	93,445.90	30	3,114.86	3,114.86	45	93,445.90	-
Diamond Hall Roofing	1978	13,821.00	30	13,821.00	30	460.70	460.70	27	12,438.90	1,382.10
Diamond Hall Addition	1981	130,083.69	30	130,083.69	30	4,336.12	4,336.12	24	104,066.95	26,016.74
Quonset Hut Renovation	1989	6,366.33	30	6,366.33	30	212.21	212.21	16	3,395.38	2,970.95
Concert Park Restrooms	1993	29,999.00	30	29,999.00	30	999.97	999.97	12	11,999.60	17,999.40
Wine Garden	2002	9,985.00	30	9,985.00	30	332.83	332.83	3	998.50	8,986.50
Museum Restrooms	1940	6,065.22	30	6,065.22	30	202.17	202.17	65	6,065.22	-

SAMPLE

EXHIBIT 1

PLEASANT VALLEY FAIR

ASSET DEPRECIATION WORKSHEET

BUILDINGS AND IMPROVEMENTS

AS OF : 12/31/2003

①	②	③	④	⑤	⑥	⑦		⑧	⑨	⑩
	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	Year	Cost	Est. Useful Life (in Years)	Cost	Est. Useful Life (in Years)	Rate Per Year	Rate Per Year	Years in Service	Total Depreciation	Cost - Accumulated Depreciation
Museum RR Renovation/Addition	1984	13,736.77	30	13,736.77	30	457.89	457.89	21	9,615.74	4,121.03
Museum RR Renovation Phase II	1990	23,709.39	30	23,709.39	30	790.31	790.31	15	11,854.70	11,854.70
Jones Hall	1957	111,561.06	30	111,561.06	30	3,718.70	3,718.70	48	111,561.06	-
Jones Hall Roofing	1981	15,816.03	30	15,816.03	30	527.20	527.20	24	12,652.82	3,163.21
Jones Hall Restroom Upgrade - ADA	2002	37,123.75	30	37,123.75	30	1,237.46	1,237.46	3	3,712.38	33,411.38
Poultry Barn	1979	57,548.39	30	57,548.39	30	1,918.28	1,918.28	26	49,875.27	7,673.12
New Maintenance Storage Building	1986	71,302.67	30	71,302.67	30	2,376.76	2,376.76	19	45,158.36	26,144.31
Saphire Building	1968	18,374.17	30	18,374.17	30	612.47	612.47	37	18,374.17	-
Ruby Hall	1961	31,191.82	30	31,191.82	30	1,039.73	1,039.73	44	31,191.82	-
Ruby Hall Roofing	1983	7,216.53	30	7,216.53	30	240.55	240.55	22	5,292.12	1,924.41
Barn 1	1948	7,138.30	30	7,138.30	30	237.94	237.94	57	7,138.30	-
Barn 2	1949	5,298.49	30	5,298.49	30	176.62	176.62	56	5,298.49	-
Barn 3	1950	7,347.75	30	7,347.75	30	244.93	244.93	55	7,347.75	-
Auction Ring	1970	17,948.89	30	17,948.89	30	598.30	598.30	35	17,948.89	-
Barn A	1938	5,221.64	30	5,221.64	30	174.05	174.05	67	5,221.64	-
Barn B	1938	5,000.00	30	5,000.00	30	166.67	166.67	67	5,000.00	-
Barn C	1970	29,509.64	30	29,509.64	30	983.65	983.65	35	29,509.64	-
Animal Wash Rack	1999	6,048.28	30	6,048.28	30	201.61	201.61	6	1,209.66	4,838.62
Curbs and Gutters	1981	25,903.27	30	25,903.27	30	863.44	863.44	24	20,722.62	5,180.65
Electrical Systems - Grounds Wide	1970	116,260.19	30	116,260.19	30	3,875.34	3,875.34	35	116,260.19	-
Electrical Systems - Grounds Wide	1984	45,004.30	30	45,004.30	30	1,500.14	1,500.14	21	31,503.01	13,501.29
Electrical Systems - Grounds Wide	1985	23,883.35	30	23,883.35	30	796.11	796.11	20	15,922.23	7,961.12
Electrical Systems - Grounds Wide	1986	6,986.54	30	6,986.54	30	232.88	232.88	19	4,424.81	2,561.73
Grounds Fencing	1970	23,251.67	30	23,251.67	30	775.06	775.06	35	23,251.67	-
Grounds Fencing	1980	27,182.53	30	27,182.53	30	906.08	906.08	25	22,652.11	4,530.42
Grounds Fencing	1992	5,880.00	30	5,880.00	30	196.00	196.00	13	2,548.00	3,332.00
Streetlights	1983	6,926.32	30	6,926.32	30	230.88	230.88	22	5,079.30	1,847.02
Retaining Walls	1976	65,598.14	30	65,598.14	30	2,186.60	2,186.60	29	63,411.54	2,186.60
Retaining Walls	1998	11,692.00	30	11,692.00	30	389.73	389.73	7	2,728.13	8,963.87
Paving & Roadways	1976	96,591.20	30	96,591.20	30	3,219.71	3,219.71	29	93,371.49	3,219.71
Paving & Roadways	1978	19,851.43	30	19,851.43	30	661.71	661.71	27	17,866.29	1,985.14

SAMPLE

EXHIBIT 1

PLEASANT VALLEY FAIR

ASSET DEPRECIATION WORKSHEET

BUILDINGS AND IMPROVEMENTS

AS OF : 12/31/2003

①	②	③	④	⑤	⑥	⑦		⑧	⑨	⑩
	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	Year	Cost	Est. Useful Life (in Years)	Cost	Est. Useful Life (in Years)	Rate Per Year	Rate Per Year	Years in Service	Total Depreciation	Cost - Accumulated Depreciation
Paving & Roadways	1984	64,071.97	30	64,071.97	30	2,135.73	2,135.73	21	44,850.38	19,221.59
Paving & Roadways	1993	10,000.00	30	10,000.00	30	333.33	333.33	12	4,000.00	6,000.00
Paving & Roadways	1995	25,000.00	30	25,000.00	30	833.33	833.33	10	8,333.33	16,666.67
Handicap Parking Paving	2003	23,434.81	30	23,434.81	30	781.16	781.16	2	1,562.32	21,872.49
Walkways & Railings	1989	30,803.00	30	30,803.00	30	1,026.77	1,026.77	16	16,428.27	14,374.73
Stadium Handicap Ramp	2003	33,946.06	30	33,946.06	30	1,131.54	1,131.54	2	2,263.07	31,682.99
ADA East Entry Grandstand	2003	19,215.09	30	19,215.09	30	640.50	640.50	2	1,281.01	17,934.08
Water & Sewage Systems	1976	33,631.05	30	33,631.05	30	1,121.04	1,121.04	29	32,510.02	1,121.04
Sewer Lift Station	1992	41,426.30	30	41,426.30	30	1,380.88	1,380.88	13	17,951.40	23,474.90
Backflow Valves	1994	14,822.50	30	14,822.50	30	494.08	494.08	11	5,434.92	9,387.58
		2,475,129.20							1,758,056.27	717,072.93

Accumulated Depreciation = 1,758,056.27
Assets Yet to be Depreciated = 717,072.93

SAMPLE

EXHIBIT 1

PLEASANT VALLEY FAIR

ASSET DEPRECIATION WORKSHEET

EQUIPMENT

AS OF : 12/31/2003

①	②	③	④	⑤	⑥	⑦		⑧	⑨	⑩
	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	Year	Cost	Est. Useful Life (in Years)	Cost	Est. Useful Life (in Years)	Rate Per Year	Rate Per Year	Years in Service	Total Depreciation	Cost - Accumulated Depreciation
1998 GMC 1/2 Ton Pickup Truck	1998	16,806.40	5	16,806.40	5	3,361.28	3,361.28	7	16,806.40	-
Kubota Lawn & Garden Tractor	1987	5,108.90	5	5,108.90	5	1,021.78	1,021.78	18	5,108.90	-
1976 John Deere Tractor	1976	11,872.50	5	11,872.50	5	2,374.50	2,374.50	29	11,872.50	-
1997 Mitsubishi Forklift	2003	16,623.75	5	16,623.75	5	3,324.75	3,324.75	2	6,649.50	9,974.25
Encore Floor Sweeper	2002	5,979.19	5	5,979.19	5	1,195.84	1,195.84	3	3,587.51	2,391.68
		56,390.74							**44,024.81**	**12,365.93**

Accumulated Depreciation = 44,024.81
Assets Yet to be Depreciated = 12,365.93

SAMPLE

EXHIBIT 2

PLEASANT VALLEY FAIR

ASSET DEPRECIATION SCHEDULE - 2004

BUILDINGS AND IMPROVEMENTS

	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	Year	Cost	Est. Useful Life (in Years)	Cost	Est. Useful Life (in Years)	Rate Per Year	Rate Per Year	Years in Service	Total Depreciation	Cost - Accumulated Depreciation
Automated Parking Gate	1994	22,156.76	30	22,156.76	30	738.56	738.56	11	8,124.15	14,032.61
Main Lawn Gazebo	1994	20,000.00	30	20,000.00	30	666.67	666.67	11	7,333.33	12,666.67
Clubhouse	1985	13,284.08	30	13,284.08	30	442.80	442.80	20	8,856.05	4,428.03
Stadium Concession Stand	1990	150,381.11	30	150,381.11	30	5,012.70	5,012.70	15	75,190.56	75,190.56
Day Care Building Upgade	1988	5,179.00	30	5,179.00	30	172.63	172.63	17	2,934.77	2,244.23
Day Care Building Roofing	2002	15,000.14	30	15,000.14	30	500.00	500.00	3	1,500.01	13,500.13
Concert Park	1991	40,803.00	30	40,803.00	30	1,360.10	1,360.10	14	19,041.40	21,761.60
Forestry Gazebo	1983	29,400.00	30	29,400.00	30	980.00	980.00	22	21,560.00	7,840.00
Dance Court & Stage	1993	86,565.00	30	86,565.00	30	2,885.50	2,885.50	12	34,626.00	51,939.00
Dance Court Restrooms	1994	50,001.09	30	50,001.09	30	1,666.70	1,666.70	11	18,333.73	31,667.36
Grandstand Bleachers & Pad	1981	85,586.06	30	85,586.06	30	2,852.87	2,852.87	24	68,468.85	17,117.21
Grandstand Handicap Ramp	1997	13,500.00	30	13,500.00	30	450.00	450.00	8	3,600.00	9,900.00
Grandstand Emergency Lighting	1989	5,558.00	30	5,558.00	30	185.27	185.27	16	2,964.27	2,593.73
Grandstand Lighting	1990	6,738.00	30	6,738.00	30	224.60	224.60	15	3,369.00	3,369.00
Land Improvement-Horse Arena	1998	27,845.19	30	27,845.19	30	928.17	928.17	7	6,497.21	21,347.98
Maintenance Shop	1997	69,735.14	30	69,735.14	30	2,324.50	2,324.50	8	18,596.04	51,139.10
Museum Electric Upgrade	1988	6,909.00	30	6,909.00	30	230.30	230.30	17	3,915.10	2,993.90
Museum Building Roofing	2002	6,499.70	30	6,499.70	30	216.66	216.66	3	649.97	5,849.73
Diamond Hall Roofing	1978	13,821.00	30	13,821.00	30	460.70	460.70	27	12,438.90	1,382.10
Diamond Hall Addition	1981	130,083.69	30	130,083.69	30	4,336.12	4,336.12	24	104,066.95	26,016.74
Quonset Hut Renovation	1989	6,366.33	30	6,366.33	30	212.21	212.21	16	3,395.38	2,970.95
Concert Park Restrooms	1993	29,999.00	30	29,999.00	30	999.97	999.97	12	11,999.60	17,999.40
Wine Garden	2002	9,985.00	30	9,985.00	30	332.83	332.83	3	998.50	8,986.50
Museum RR Renovation/Addition	1984	13,736.77	30	13,736.77	30	457.89	457.89	21	9,615.74	4,121.03
Museum RR Renovation Phase II	1990	23,709.39	30	23,709.39	30	790.31	790.31	15	11,854.70	11,854.70
Jones Hall Roofing	1981	15,816.03	30	15,816.03	30	527.20	527.20	24	12,652.82	3,163.21
Jones Hall Restroom Upgrade - ADA	2002	37,123.75	30	37,123.75	30	1,237.46	1,237.46	3	3,712.38	33,411.38
Poultry Barn	1979	57,548.39	30	57,548.39	30	1,918.28	1,918.28	26	49,875.27	7,673.12
New Maintenance Storage Building	1986	71,302.67	30	71,302.67	30	2,376.76	2,376.76	19	45,158.36	26,144.31
Ruby Hall Roofing	1983	7,216.53	30	7,216.53	30	240.55	240.55	22	5,292.12	1,924.41
Animal Wash Rack	1999	6,048.28	30	6,048.28	30	201.61	201.61	6	1,209.66	4,838.62
Curbs and Gutters	1981	25,903.27	30	25,903.27	30	863.44	863.44	24	20,722.62	5,180.65
Electrical Systems - Grounds Wide	1984	45,004.30	30	45,004.30	30	1,500.14	1,500.14	21	31,503.01	13,501.29
Electrical Systems - Grounds Wide	1985	23,883.35	30	23,883.35	30	796.11	796.11	20	15,922.23	7,961.12

SAMPLE

EXHIBIT 2

PLEASANT VALLEY FAIR

ASSET DEPRECIATION SCHEDULE - 2004

BUILDINGS AND IMPROVEMENTS

	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	**Year**	**Cost**	**Est. Useful Life (in Years)**	**Cost**	**Est. Useful Life (in Years)**	**Rate Per Year**	**Rate Per Year**	**Years in Service**	**Total Depreciation**	**Cost - Accumulated Depreciation**
Electrical Systems - Grounds Wide	1986	6,986.54	30	6,986.54	30	232.88	232.88	19	4,424.81	2,561.73
Grounds Fencing	1980	27,182.53	30	27,182.53	30	906.08	906.08	25	22,652.11	4,530.42
Grounds Fencing	1992	5,880.00	30	5,880.00	30	196.00	196.00	13	2,548.00	3,332.00
Streetlights	1983	6,926.32	30	6,926.32	30	230.88	230.88	22	5,079.30	1,847.02
Retaining Walls	1976	65,598.14	30	65,598.14	30	2,186.60	2,186.60	29	63,411.54	2,186.60
Retaining Walls	1998	11,692.00	30	11,692.00	30	389.73	389.73	7	2,728.13	8,963.87
Paving & Roadways	1976	96,591.20	30	96,591.20	30	3,219.71	3,219.71	29	93,371.49	3,219.71
Paving & Roadways	1978	19,851.43	30	19,851.43	30	661.71	661.71	27	17,866.29	1,985.14
Paving & Roadways	1984	64,071.97	30	64,071.97	30	2,135.73	2,135.73	21	44,850.38	19,221.59
Paving & Roadways	1993	10,000.00	30	10,000.00	30	333.33	333.33	12	4,000.00	6,000.00
Paving & Roadways	1995	25,000.00	30	25,000.00	30	833.33	833.33	10	8,333.33	16,666.67
Handicap Parking Paving	2003	23,434.81	30	23,434.81	30	781.16	781.16	2	1,562.32	21,872.49
Walkways & Railings	1989	30,803.00	30	30,803.00	30	1,026.77	1,026.77	16	16,428.27	14,374.73
Stadium Handicap Ramp	2003	33,946.06	30	33,946.06	30	1,131.54	1,131.54	2	2,263.07	31,682.99
ADA East Entry Grandstand	2003	19,215.09	30	19,215.09	30	640.50	640.50	2	1,281.01	17,934.08
Water & Sewage Systems	1976	33,631.05	30	33,631.05	30	1,121.04	1,121.04	29	32,510.02	1,121.04
Sewer Lift Station	1992	41,426.30	30	41,426.30	30	1,380.88	1,380.88	13	17,951.40	23,474.90
Backflow Valves	1994	14,822.50	30	14,822.50	30	494.08	494.08	11	5,434.92	9,387.58
						56,991.60				

Journal Entry:		
90000 Depreciation Expense	**56,991.60**	
19210 Accum Depr - Blds & Imps		**56,991.60**

SAMPLE

EXHIBIT 2

PLEASANT VALLEY FAIR

ASSET DEPRECIATION SCHEDULE - 2004

EQUIPMENT

	Purchase			Depreciation Rate			Accumulated Depreciation			Net Book Value
	(1)			(a)	(b)	(a)/(b)=(c)	(c)	CY-(1)=(d)	(c)x(d)=(e)	(a)-(e)
DESCRIPTION	**Year**	**Cost**	**Est. Useful Life (in Years)**	**Cost**	**Est. Useful Life (in Years)**	**Rate Per Year**	**Rate Per Year**	**Years in Service**	**Total Depreciation**	**Cost - Accumulated Depreciation**
1997 Mitsubishi Forklift	2003	16,623.75	5	16,623.75	5	3,324.75	3,324.75	2	6,649.50	9,974.25
Encore Floor Sweeper	2002	5,979.19	5	5,979.19	5	1,195.84	1,195.84	3	3,587.51	2,391.68
						4,520.59				

Journal Entry:

90000 Depreciation Expense	**4,520.59**	
19310 Accum Depr - Equipment		**4,520.59**

SAMPLE

EXHIBIT 3

PLEASANT VALLEY FAIR
BALANCE SHEET
DECEMBER 31, 2004

Assets

Current Assets			
Cash			219,346.83
Accounts Receivable (net)			110,042.09
Merchandise Inventory			5,394.85
Total Current Assets			334,783.77
Property, Plant and Equipment			
Land		54,369.96	
Buildings and Improvements	2,475,129.20		
Less Accumulated Depr - Bldgs & Imps	(1,758,056.27)	717,072.93	
Equipment	56,390.74		
Less Accumulated Depr - Equipment	(44,024.81)	12,365.93	
Total Property, Plant & Equipment			783,808.82
Total Assets			**1,118,592.59**

Liabilities and Resources

Current Liabilities		
Payroll Liabilities		679.02
Other Liabilities		12,400.88
Total Current Liabilities		13,079.90
Long Term Liabilities		
Leave Liability		34,994.00
Total Liabilities		48,073.90
Net Resources		
Junior Livestock Auction Reserve	12,787.45	
Net Resources Invested in Capital Assets (net of debt)	783,808.82	
Net Resources - Restricted	127,397.63	
Net Resources - Available for Operations	146,524.79	1,070,518.69
Total Liabilities and Resources		**1,118,592.59**

EXHIBIT 4

STATE OF CALIFORNIA PETE WILSON, *Governor*

DEPARTMENT OF FOOD AND AGRICULTURE

1010 Hurley Way, Suite 200
Sacramento, CA 95825

February 15, 1996 D 96-6

TO: All District Agricultural Associations

SUBJECT: Asset Capitalization Criteria

This memo explains the *new* criteria for capitalization of assets as defined by the Department of Finance in their management memo 95-22 issued 11/14/95.

Current criteria requires capitalization of tangible property having a normal useful life of four years and a minimum acquisition cost of $500.00. For intangible property, the minimum acquisition cost is $5,000.

Effective immediately, all tangible and intangible assets of District Agricultural Associations must meet the following requirements in order to be capitalized:

- a normal useful life of at least one year (12 month) and
- a minimum unit acquisition cost of $5,000.00

Property that does not meet both requirements will be expended in the accounting period during which it is acquired. Tangible and intangible property that is already capitalized, but does not meet the new capitalization criteria, will be removed from the General Ledger through a journal entry that debits Investment in Capital Assets, account 260, and credits the appropriate asset account, 191, 192 or 193.

A copy of the original Management Memo from Department of Finance is enclosed for reference. Direct any questions regarding this memo to JoAnn Simas at (916) 263-2971.

Sincerely,

Stan Wirth, Financial Officer
Division of Fairs and Expositions
(916) 263-2953

Enclosure (2 pages)

cc: CDFA Audits

EXHIBIT 4

MANAGEMENT MEMO

SUBJECT: ASSET CAPITALIZATION CRITERIA	NUMBER: 95-22
	DATE ISSUED: 11-14-95
	EXPIRES: 11-14-96
REFERENCES: STATE ADMINISTRATIVE MANUAL (SAM) SECTIONS 8602, 8615, 8650, AND 8651 AND OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-87.	ISSUING AGENCY: DEPARTMENT OF FINANCE

The purpose of this Management Memo is to advise departments of revised asset capitalization criteria. Existing capitalization criteria require that tangible property be capitalized if they have a normal useful life of four years and a unit acquisition cost of at least $500. The existing criteria also require that intangible assets be capitalized if they have a useful life of four years and a unit acquisition cost of at least $5,000.

Effective immediately, tangible and intangible assets, intended for use to conduct state business, must meet the following requirements in order to be capitalized:

- a normal useful life of at least one year (12 months) and

- a unit acquisition cost of at least $5,000.

Property will not be recorded in the asset accounts when any of the above requirements is not met. Instead, property that does not meet both requirements will be expensed in the accounting period during which it is acquired.

Tangible and intangible property that are already capitalized but do not meet the new asset capitalization criteria will be removed from the General Ledger. The amount removed will, if it is material (i.e., it exceeds three percent of the total dollar amount recorded as expenditures in the statement of operations for the period), be disclosed in a footnote as an extraordinary item in the year-end financial statements. If any such property were purchased with federal funds, OMB Circular A-87 (May 1995) requires the state agency to give prior notice to the appropriate cognizant federal agency of its intent to expense the property.

All state property, regardless of whether capitalized or expensed, will be controlled, identified, and tagged in accordance with the requirements of SAM sections 8650 through 8652, unless the head of a state agency, in discharging management's responsibility under the Financial and State Manager's Responsibility Act of 1983 (Government Code Section 13400 - 13407) directs otherwise.

If you have any questions regarding this management memo, please call Osman Sanneh, Fiscal Systems and Consulting Unit, Department of Finance at (916) 445-2999 or ATSS 485-2999.

Russell S Gould

RUSSELL S. GOULD
Director of Finance

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